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SUBJECT: MONTERREY PRIVATE SECTOR VIEWS ON SECURITY SITUATION

MONTERREY 00000046 001.2 OF 002

¶1. (SBU) Summary. On January 25, at the Consulate's periodic Business Roundtable, we heard the private sector's perspective on the security situation in Monterrey. The event, organized by FCS and hosted by the Consul General, brought together ten of the Consulate's best private sector contacts. During the discussion section, our interlocutors expressed the view that while the Mexican federal government has made impressive progress against the drug cartels, state efforts were lagging. Some participants noted the increased risk of bank robberies and cargo theft and wondered whether the risk of kidnappings had risen in Monterrey. Despite these problems, there was a general consensus that Monterrey's security problems have not impeded the continued flow of foreign direct-investment. End Summary.

Praise for President Calderon

¶2. (U) Our private sector contacts were impressed by President Calderon's willingness to take on the drug cartels, especially since this problem had been neglected during prior Mexican Administrations. An industrial real estate developer praised President Calderon for his strong reaction to the drug cartels, and said that he was pleased to see Mexican federal military and police involvement. Our colleague at the British Consulate agreed, stating that the federal government had made an impressive start. Participants were curious about the status of the Merida Initiative, and were pleased to learn that the proposal had gone to the U.S. Congress for consideration and that the consultative process was ongoing with all concerned parties.

Weakness at the State/Local Level

¶3. (SBU) The consensus was that the drug cartels operate with impunity in Nuevo Leon. And although the federal government received high marks, several business representatives noted the increase in bank robberies locally, and partially attributed the increase in crime here to the Nuevo Leon state government's weakness on security issues. A business consultant said that the state government had no coordinated or integrated approach to security issues. He further opined that the Nuevo Leon state government had lost credibility when it claimed that bank robberies would stop, but failed to put forward any apparent plan to do so.

¶4. (SBU) A private security expert told us that the drug cartels had coordinated their efforts to form a common front against the governmental authorities. The same expert used a

kidnapping case in the neighboring state of Coahuila as an illustration of the corruption of the local police. After the kidnapping victim was released, the family registered a complaint with local police. Within five minutes they received a call warning them to drop the complaint or the whole family would be kidnapped.

15. (SBU) None of our contacts felt that the local municipal governments were effectively combating the drug cartels. Indeed, one of our interlocutors commented that organized crime had infiltrated all of the municipal governments in the metropolitan area. Another participant noted, privately, that while San Pedro had the reputation of being a haven where kidnapping for ransom did not occur, he and his family had been victims of a home invasion in 2006.

Worry over Cargo Theft

16. (SBU) Our business contacts were very concerned about cargo theft, which we understand has increased rapidly in Nuevo Leon. In the majority of cases, we were told, truck cargo is stolen through the complicity of the driver. The bands of thieves possess the sophistication to block GPS devices and quickly change serial numbers so the trucks cannot be traced. A security expert commented how trucking companies need to know their drivers, because in some cases the drivers have multiple prior incidents. In other cases, narcotics traffickers can buy trucks with cash and use them to haul drugs across the border. The Consul General briefed on the recently established Monterrey chapter of the Overseas Security Advisory Committee (OSAC). OSAC Monterrey held a seminar in January on cargo security, and planned a meeting in February on best practices to prevent cargo theft. The Consul General also urged the businesses to consider joining OSAC, and we distributed OSAC information materials. In addition, the Commercial Attache offered to help companies identify new technological solutions as related to facility or transportation security.

But Foreign Investment Continues to Flow

MONTERREY 00000046 002.2 OF 002

17. (SBU) Despite Monterrey's security problems, there was a consensus that security issues have not impaired foreign direct investment. According to several contacts, the drug executions primarily involve police and those involved with the cartels, so security issues, aside from items such as cargo theft, do not directly affect the business community. Another participant put it differently, 'Yes, there is crime' he noted, 'but that's just one factor to be considered in making an investment and so far the economic positives have vastly outweighed the security negatives.' Note. Investment statistics bear out this contention as Nuevo Leon registered a record US \$1.8 billion in foreign direct investment in 2007. End Note.
WILLIAMSON